

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

☒ Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the quarterly period ended: December 31, 2004

OR

☐ Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the transition period from: to

Commission File Number: 000-030813

AlphaRx, Inc.  
(Name of Small Business Issuer in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

98-0177440  
(I.R.S. Employer Identification No.)

168 Konrad Crescent, Suite 200  
Markham, Ontario, Canada L3R 9T9  
(Address of principal executive offices)

Registrant's telephone number, including area code: (905) 479-3245

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, \$.0001 par value  
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

The number of outstanding shares of registrant's Common Stock on February 11, 2005 was 57,508,112.

Transitional Small Business Disclosure Format. Yes ☐ No ☒

# **ALPHARX, INC.**

## **FORM 10-QSB**

**DECEMBER 31, 2004**

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**ALPHARx, INC.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
**AS AT DECEMBER 31, 2004 AND SEPTEMBER 30, 2004**  
**(UNAUDITED)**

	December 31, <b>2004</b>	September 30, <b>2004</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,270,008	\$ 2,856,042
Accounts Receivable, net	50,783	49,930
Prepaid Expenses	50,797	67,640
Inventory	<u>239,845</u>	<u>180,272</u>
<b>TOTAL CURRENT ASSETS</b>	2,611,433	3,153,884
 <b>PROPERTY, PLANT &amp; EQUIPMENT, net</b>	 256,431	 241,533
<b>OTHER ASSETS</b>		
Licensing Right (Note 3)	<u>1</u>	<u>1</u>
<b>TOTAL ASSETS</b>	<u><u>2,867,865</u></u>	<u><u>3,395,418</u></u>
 <b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	350,344	279,071
Notes Payable (Note 4)	-	665,900
Litigation Liabilities (Note 5 )	<u>25,000</u>	<u>25,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u><u>375,344</u></u>	<u><u>969,971</u></u>
 <b>SHAREHOLDERS' EQUITY</b>		
Common Stock: \$ 0.0001 par value, Authorized 250,000,000 shares; issued and outstanding 57,508,112 shares (September 30, 2004 – 52,304,642)	5,752	5,232
Additional paid-in capital	8,930,023	8,419,035
Deficit	<u>(6,443,254)</u>	<u>(5,998,820)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><u>2,492,521</u></u>	<u><u>2,425,447</u></u>
 <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	 <u><u>\$ 2,867,865</u></u>	 <u><u>\$ 3,395,418</u></u>

See condensed notes to consolidated financial statements

**ALPHARx, INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003**  
**(UNAUDITED)**

Three months ended December 31,	2004	2003
SALES	\$ 8,946	\$ 47,169
COST OF SALES	<u>4,428</u>	<u>17,516</u>
GROSS MARGIN	4,518	29,653
SELLING AND ADMINISTRATIVE EXPENSES	293,316	270,917
RESEARCH AND DEVELOPMENT EXPENSES	154,012	11,428
DEPRECIATION	<u>11,450</u>	<u>11,044</u>
LOSS FROM OPERATIONS	(454,260)	(263,736)
OTHER INCOME AND EXPENSES		
Interest Income	9,826	-
LOSS BEFORE INCOME TAXES	(444,434)	(263,736)
INCOME TAX	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (444,434)</u>	<u>\$ (263,736)</u>
NET LOSS PER COMMON SHARE, BASIC & DILUTED	<u>(0.01)</u>	<u>(0.02)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>56,490,117</u>	<u>16,968,995</u>

See condensed notes to consolidated financial statements

**ALPHARx, INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(UNAUDITED)**

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Number of</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Earnings</u>	<u>Shareholders'</u>
	<u>Shares</u>		<u>Capital</u>	<u>(Deficit)</u>	<u>Equity(Deficit)</u>
Balance at September 30, 2003	16,920,082	1,692	4,024,039	(4,225,980)	(200,249)
Issuances of Common Stock for consulting, legal services	100,000	11	29,990		30,001
Conversion of Promissory Notes	3,752,340	375	374,859		375,234
Commission on Promissory Notes and Common Stock Issued	4,308,186	431	580,120		580,551
Issuances of Common Stock	27,224,034	2,723	3,410,027		3,412,750
Net Loss for the Year ending September 30, 2004				(1,772,840)	(1,772,840)
Balance at September 30, 2004	52,304,642	\$5,232	\$8,419,035	\$(5,998,820)	\$2,425,447
Conversion of Promissory Notes	5,203,470	520	510,988		511,508
Net loss for the period				(444,434)	(444,434)
Balance at December 31, 2004	57,508,112	\$5,752	\$8,930,023	\$(6,443,254)	\$2,492,521

See condensed notes to consolidated financial statements

**ALPHARx, INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003**  
**(UNAUDITED)**

Three months ended December 31,	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	\$ (444,434)	\$ (263,736)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,450	11,044
Shares Issued For Services Rendered	-	30,000
Changes in assets and liabilities:		
(Increase) decrease in Inventory	(59,573)	2,598
(Increase) decrease in Accounts Receivable	(853)	1,183
(Increase) decrease in Prepaid Expenses	16,843	(5,656)
Increase in Accounts Payable and Accrued Liabilities	<u>71,273</u>	<u>99,758</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(405,294)</u>	<u>(124,809)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Machinery & Equipment	<u>(26,348)</u>	<u>(23,239)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(26,348)</u>	<u>(23,239)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in bank indebtedness	-	23,198
Issuance (repayment) of Notes Payable	(665,900)	100,706
Proceeds from Issuance of Common Stock (net)	<u>511,508</u>	<u>-</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(154,392)</u>	<u>123,904</u>
<b>NET DECREASE IN CASH</b>	(586,034)	(24,144)
CASH, and cash equivalents, beginning of period	<u>2,856,042</u>	<u>24,520</u>
CASH, and cash equivalents, end of period	<u>\$ 2,270,008</u>	<u>\$ 376</u>
 Income Tax Paid	 <u>\$ 0</u>	 <u>\$ 0</u>
Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>

See condensed notes to consolidated financial statements

**ALPHARX INC.**  
**CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**  
**(UNAUDITED)**

**NOTE 1. NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-QSB and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of all recurring accruals) considered necessary for fair presentation have been included. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the year ended September 30, 2005. Interim financial statements should be read in conjunction with the Company's annual audited financial statements.

**NOTE 2. NATURE OF BUSINESS AND GOING CONCERN**

ALPHARX, INC. (the Company) was incorporated under the laws of the State of Delaware on August 7, 1997. The company is an emerging pharmaceutical company specializing in the formulation of therapeutic products using proprietary drug delivery technologies. The company was formally known as LOGIC TECH INTERNATIONAL, INC., and had its corporate name changed during the fiscal year of 2000.

Effective July 1, 2003 the Company acquired all of the shares of AlphaRx Canada Limited for nominal value of \$1. AlphaRx Canada Limited was dormant until this time. AlphaRx Canada Limited was incorporated under the laws of Ontario in order to streamline sales of the Company's products in the Canadian market. Prior to this time AlphaRx Canada Limited had no material assets or any liabilities and was wholly owned by the President & CEO of the Company. The consolidated financial statements reflect the activities of the Company and of AlphaRx Canada Limited – its wholly owned subsidiary. All material inter-company accounts and transactions have been eliminated.

The accompanying unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, they do not include any adjustments relating to the realization of the carrying value of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Continuance of the Company as a going concern is dependent on its future profitability and on the on-going support of its shareholders, affiliates and creditors.

**NOTE 3. LICENSING RIGHTS**

The Company acquired world-wide exclusive commercialization rights for VT-1 from Select Therapeutics Inc. in January 2003 with the intention of commercializing this drug. Subsequent to this acquisition the Company launched Flexogan in Canada, and shifted focus on drug delivery products, and related sales and marketing. Having unsuccessfully attempted to resell these commercialization rights, they have been written down to a nominal value due primarily to prohibitive development costs, and the fact that there is no market for these rights.

**NOTE 4. NOTES PAYABLE**

During October, 2004, the Company converted \$520,347 in convertible promissory notes into 5,203,470 shares of common stock plus warrants to purchase 10,406,940 shares of common stock at an exercise price of \$0.30 per share. These warrants expire during September and October, 2007.

The remainder of the promissory notes totaling \$145,553 as at September 30, 2004, were repaid to officers and directors of the Company. As a result of the repayments and conversions, the Company has no convertible notes or promissory notes outstanding as of December 31, 2004.

#### **NOTE 5. LITIGATION LIABILITY**

The Company is a defendant in a lawsuit filed by a prospective investor alleging breach of contract, which seeks damages totalling \$25,000. The Company believes the suit is without merit, however, to remain conservative, the entire claim has been accrued in the financial statements.

#### **NOTE 6. COMMON STOCK**

The Company is authorized to issue 250,000,000 shares of common stock. As of December 31, 2004, there remains issued and outstanding 57,508,112 shares of such common stock which has a stated par value of \$0.0001 per share.

During the three months ended December 31, 2004, \$520,347 of convertible promissory notes were converted into 5,203,470 shares of common stock at \$0.10 per share and 10,406,940 warrants to purchase shares of common stock at an exercise price of \$0.30 per share;

#### **NOTE 7. STOCK OPTION PLANS**

The Company has adopted the 2004 Stock Option Plan which supercedes the 2003 Plan, and the 2000 Plan. Options outstanding under these plans as of December 31, 2004 are as follows:

<b>Plan Category</b>	<b>Number of Shares to be issued upon exercise of options</b>	<b>Weighted average exercise price of outstanding options</b>	<b>Number of shares available for future issuance</b>
<b>2000 PLAN</b>	<b>1,150,000</b>	<b>\$0.10</b>	<b>0</b>
<b>2003 PLAN</b>	<b>570,000</b>	<b>\$0.63</b>	<b>0</b>
<b>2004 PLAN</b>	<b>13,220,000</b>	<b>\$0.16</b>	<b>10,780,000</b>

Subsequent to December 31, 2004 an additional 7,000,000 options were issued under the 2004 Plan at an exercise price of \$0.16 per share.

#### **NOTE 8. WARRANTS**

The Company has the following warrants outstanding to purchase common stock at December 31, 2004:



Warrants issued in conjunction with financing costs whereby one warrant entitles the holder to purchase one share of common stock at an exercise price of \$1.10, expiring December 19, 2005.	670,275
Warrants issued in conjunction with financing costs whereby one warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.65 expiring June 17, 2006.	75,524
Warrants issued in return for financial advisory services whereby one warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.05, expiring September 1, 2007. This warrant can only be exercised after January 29, 2005.	3,000,000
Warrants issued in conjunction with financing costs whereby one warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.15, expiring September 1, 2007.	2,994,642
Warrants issued in conjunction with financing costs whereby one warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.30, expiring September 1, 2007.	2,287,669
Warrants issued in conjunction with conversion of promissory notes and in conjunction with the private placement completed during July and September, 2004. One warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.30. Expiry dates: July 21, 2007 – 27,505,378; September 1, 2007 – 12,426,114; October 13, 2007 – 5,204,160.	45,135,652
	<u>54,163,762</u>

#### **NOTE 9. COMMITMENTS**

Effective December 1, 2004 the Company entered into an operating lease for research equipment. Minimum annual lease payments total \$10,932 commencing December 1, 2004 and ending November 1, 2009.

## **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATION**

The following discussion and analysis should be read in conjunction with the Financial Statements, including the Notes thereto, appearing in this Form 10-QSB. Except for the historical information contained herein the foregoing discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those projected in the forward-looking statements discussed herein.

### **General**

AlphaRx is a drug delivery company specializing in the development of innovative therapeutic products for the pharmaceutical and consumer health care market. Our core competence is in the development of novel drug formulations for therapeutic molecules or compounds that have exhibited poor gastro intestinal absorption due to poor solubility or have yet be administerable to the human body with an acceptable delivery method. Our drug delivery system is versatile and offers significant flexibility in the development of suitable dosage formulations (i.e. oral, topical or parenteral) to meet the requirements of specific drug molecules. Our primary activities since inception (August 7, 1997) have been, in addition to research and development, establishing our offices and research facilities, recruiting personnel, filing patent applications, developing a business strategy and raising capital.

We launched Flexogan, a series of over-the-counter topical analgesics, in Canada during August, 2003. We expect Flexogan to incur significant marketing expenditures in 2005 in order to promote national sales and gain market share in Canada.

We signed a licensing agreement with Andromaco Inc. in August, 2003 for the commercialization of our lead pharmaceutical products "Indaflex"™ in Mexico. The Company will receive royalties from product sales. Marketing approval from the Mexican health authority was obtained during the first quarter of 2005. In order to market and sell Indaflex products in the US and Canada, we will require successful completion of human and clinical trials as well as FDA approval. We expect these trials to commence in during our second fiscal quarter ending March 31, 2005.

We intend to continue investing in the further development of our drug delivery technologies and to actively seek collaborators and licensees to accelerate the development and commercialization of products incorporating our drug delivery systems. Depending upon a variety of factors, including collaborative arrangements, available personnel and financial resources, we will conduct or fund clinical trials on such products and will undertake the associated regulatory activities.

### **RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2004, AS COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2003**

The Company incurred a net loss of \$444,434 for the three month period ended December 31, 2004 as compared to a loss of \$263,736 incurred for the same period a year ago, an increase of \$180,698 or approximately 69%. The increase stems primarily from an increase in research and development activities related to preparation for human and clinical trials of Indaflex.

### **Sales**

Sales for the three months ended December 31, 2004 were \$8,946 as compared to \$47,169 generated for the same period a year ago, a decrease of \$38,223 or 81%. The Company had marketing initiatives via radio, magazine and newspaper media during the first quarter. The market for arthritic and muscle pain creams, which Flexogan is addressing, is competitive, and additional marketing expenditures will have to be incurred in order to increase brand awareness and subsequent sales.

## **Gross Margin**

Cost of Sales for the three months ended December 31, 2004 was \$4,428 as compared to \$17,516 incurred for the same period a year ago. Resulting Gross Margin decreased to \$4,518 or approximately 51% of sales as compared to Gross Margin of \$29,653 or approximately 63% of sales for the same period a year ago. In order to be more competitive, the Company reduced selling prices during the quarter – the primary reason for reduced gross margins measured as a percentage of revenues.

## **Sales and Marketing, General and Administrative Expenses**

Sales and Marketing, General and Administrative expenses consist primarily of sales and marketing expenditures, personnel costs related to general management functions, finance, inventory logistics, office overheads, as well as insurance costs and professional fees related to legal, audit and tax matters. Sales and Marketing, General and Administrative expenses for the three months ended December 31, 2004 were \$293,316 as compared to \$270,917 incurred for the same period a year ago, an increase of \$22,399 or approximately 8%.

Approximately \$148,000 or 51% of these expenses incurred for the three months ended December 31, 2004 related to marketing of Flexogan in Canada as compared to approximately \$131,000 incurred for the same period a year ago. We expect to continue with sales and marketing expenditures in order to establish brand awareness, and increase sales.

The remainder of these expenses incurred for the three month period ended December 31, 2004 related to legal expenses, professional fees, and other office overheads. We expect that general and administrative expenses will increase moderately over the near term.

## **Research and Development Expenses**

Research and development expenses include costs for scientific personnel, supplies, equipment, outsourced clinical and other research activities.

Research and development expenses for the three months ended December 31, 2004 were \$154,012 as compared to \$11,428 incurred for the same period a year ago, an increase of \$142,584. The increase relates to preparation of Indaflex for human and clinical trials, and ongoing research and development of other over the counter products. We expect to increase research and development expenses over the remainder of 2005 as we accelerate the development and testing of our Indaflex drug candidate.

## **Loss from Operations**

Loss from operations were \$454,260 for the three months ended December 31, 2004 as compared to a loss of \$263,736 incurred for the same period a year ago, an increase of \$190,524 or approximately 72%. The increase of research and development expenses of \$142,584 was primarily the cause of the increased loss from operations. Reductions in gross margins, and an increase in selling and administrative expenses account for the remainder of the increased loss when compared to the same period a year ago.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2004 the Company had working capital of \$2,236,089 compared to \$2,183,913 as at September 30, 2004. The improvement of working capital compared to periods prior to September 30, 2004 stems from the private placement completed in late fiscal 2004 whereby shares were issued in exchange for an investment of approximately four million dollars.

During the three months ended December 31, 2004 we repaid or converted all remaining debt such that we have no debt other than normal trade payables related to ongoing business activities. We anticipate that our working capital will be sufficient to fund ongoing activities beyond our fiscal year ending September 30, 2005.

Since inception, we have financed operations principally from the sale of Common Stock and issuance of promissory notes and expect to continue this practice to fund our ongoing activities.

We currently do not have sufficient resources to complete the commercialization of any of our proposed products or to carry out our entire business strategy. Therefore, we will likely need to raise substantial additional capital to fund our operations in the future. We cannot be certain that any financing will be available when needed on acceptable terms or at all. Any additional equity financings will be dilutive to our existing shareholders, and debt financing, if available, may involve restrictive covenants on our business.

We expect to continue to spend capital on:

1. research and development programs;
2. preclinical studies and clinical trials;
3. regulatory processes; and
4. third party manufacturers and marketing partners to manufacture and market our products for us.

The amount of capital we may need will depend on many factors, including:

1. the progress, timing and scope of our research and development programs;
2. the progress, timing and scope of our preclinical studies and clinical trials;
3. the time and cost necessary to obtain regulatory approvals;
4. the time and cost necessary to establish sales and marketing capabilities or to retain sales and marketing partners to market our products for us;
5. the time and cost necessary to respond to technological and market developments; and
6. new collaborative, licensing and other commercial relationships that we may establish.

The inability to raise capital would have a material adverse effect on the Company. We currently have no capital commitments other than the payment of rent on our facilities lease, and for certain research equipment.

## **CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS**

Certain of the information contained in this document constitutes “forward-looking statements”, including but not limited to those with respect to the future revenues, our development strategy, involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the risks and uncertainties associated with a drug delivery company which has not successfully commercialized our first product, including a history of net losses, unproven technology, lack of manufacturing experience, current and potential competitors with significant technical and marketing resources, need for future capital and dependence on collaborative partners and on key personnel. Additionally, we are subject to the risks and uncertainties associated with all drug delivery companies, including compliance with government regulations and the possibility of patent infringement litigation, as well as those factors disclosed in our documents filed from time to time with the United States Securities and Exchange Commission.

## **ITEM 3. CONTROLS AND PROCEDURES**

Evaluation of disclosure controls and procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2004. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms.

## **PART II: OTHER INFORMATION**

### **ITEM 1 - LEGAL PROCEEDINGS**

Farhad Walji vs. AlphaRx, Inc. and AlphaRx Canada Limited filed in the Supreme Court of British Columbia on August 23, 2002. Farhad Walji has filed a claim asking for \$25,000 plus interest for allegedly providing \$20,000 pursuant to a subscription agreement to purchase common shares of AlphaRx's stock and damages resulting from lost opportunity. The Company has denied any liability in this case and is currently defending this action vigorously. Nonetheless, the value of the entire claim has been accrued in our financial statements as a current liability.

### **ITEM 2 - CHANGES IN SECURITIES AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES**

During the three months ended December 31, 2004 we issued 5,203,470 shares of common stock pursuant to the conversion of \$520,347 in convertible debt. We also issued warrants to purchase 10,406,940 shares of common stock at \$0.30 per share in connection with the conversion of debt.

As a result of the above transactions the Company had 57,508,112 shares of Common Stock outstanding as at February 14, 2005. Additionally, there are warrants outstanding to purchase 54,163,762 shares of Common Stock, ranging in price from \$0.05 to \$1.10 and expiring between the period December 19, 2005 and October 13, 2007.

### **ITEM 3 - DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

### **ITEM 4 - OTHER INFORMATION**

None.

### **ITEM 5 - EXHIBITS AND REPORTS ON FORM 8-K**

#### **(a) EXHIBITS.**

- 31.1 Certification of C.E.O. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of C.F.O. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Michael Lee pursuant to Section 1350 of Chapter 63 of Title 18 United States Code.
- 32.2 Certification of Marcel Urbanc pursuant to Section 1350 of Chapter 63 of Title 18 United States Code.

#### **(b) REPORTS ON FORM 8-K**

On December 16, 2004 we issued a press release regarding the manufacture of clinical materials for Indaflex clinical trials which are expected to commence in early 2005.

SIGNATURES:

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED: February 11, 2005

ALPHARx, INC.

By: /S/ Michael M. Lee  
Michael M. Lee, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant, in the capacities, and on the dates, indicated.

DATED: February 11, 2005

Directors:

/S/ Michael M. Lee  
Michael M. Lee, Director

/S/ David Milroy  
David Milroy, Director

/S/ Ford Moore  
Ford Moore, Director

## EXHIBIT 31.1

I, Michael Lee, chief executive officer of AlphaRx, Inc. certify that:

1. I have reviewed this quarterly report on Form 10QSB of AlphaRx, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;
5. We have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 11, 2005

M/s/ Michael Lee

Michael Lee, Chief Executive Officer



## EXHIBIT 31.2

I, Marcel Urbanc, chief financial officer of AlphaRx, Inc. certify that:

1. I have reviewed this quarterly report on Form 10QSB of AlphaRx, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;
5. We have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 11, 2005

/s/ Marcel Urbanc

Marcel Urbanc, Chief Financial Officer

## **EXHIBIT 32.1**

### **CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of AlphaRx, Inc. on Form 10-QSB for the period ending December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof, Michael Lee, as chief executive officer of AlphaRx, Inc., does hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. This 10-QSB report fully complies with the requirements of Section 13(a) of the Exchange Act; and
2. The information contained in this 10-QSB report fairly presents, in all material respects, the financial condition and result of operations of AlphaRx, Inc.

/s/ Michael Lee

Michael Lee  
Chief Executive Officer  
February 11, 2005

## **EXHIBIT 32.2**

### **CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of AlphaRx, Inc. on Form 10-QSB for the period ending December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof, Marcel Urbanc, as chief financial officer of AlphaRx, Inc., does hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

3. This 10-QSB report fully complies with the requirements of Section 13(a) of the Exchange Act; and
4. The information contained in this 10-QSB report fairly presents, in all material respects, the financial condition and result of operations of AlphaRx, Inc.

/s/ Marcel Urbanc  
Marcel Urbanc  
Chief Financial Officer  
February 11, 2005